

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 STR-04 AGR-10 CIAE-00 COME-00 EB-07

INR-07 LAB-04 NSAE-00 SP-02 TRSE-00 CIEP-02 FRB-01

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R 120715Z NOV 75

FM AMEMBASSY ISLAMABAD

TO SECSTATE WASHDC 2810

INFO AMCONSUL KARACHI

AMCONSUL LAHORE

UNCLAS ISLAMABAD 10475

E.O. 11652: N/A

TAGS: BEXP, PK

SUBJECT: CHEMTEX/DUPONT POLYESTER PLANT PROJECT

REFERENCE: ISLAMABAD 9375

1. SUMMARY. TO THE SURPRISE AND DISMAY OF THE CHEMTEXT TEAM AND THE EMBASSY, THE OUTLOOK FOR CHEMTEXT GETTING THE POLYESTER PLANT PROJECT IS VERY UNCERTAIN. ABOUT TWO WEEKS AGO THE GOP, FOR ECONOMY AND OTHER OBSCURE REASONS, DECIDED TO DITCH THEIR LETTER OF INTENT AGREEMENT WITH CHEMTEXT AND TO PURCHASE A 23 PERCENT CHEAPER PLANT FROM A GERMAN/SWISS COMBINE, LURGI/INVENTA. THE AMBASSADOR HAS SENT A STRONG LETTER TO PRODUCTION MINISTER RAFI RAZA PROTESTING THE ACTION AND ASKING THAT AT THE VERY LEAST CHEMTEXT BE ALLOWED TO BID FOR THE APPARENTLY NOW DESIRED CHEAPER THOUGH OLDER TECHNOLOGY. THE AMBASSADOR HAS ALSO REQUESTED AN APPOINTMENT TO SEE THE MINISTER. END SUMMARY.

2. THE LAST TEN DAYS HAVE BEEN A RATHER TRAUMATIC TIME FOR THE CHEMTEXT TEAM. AFTER HAVING SUCCESSFULLY REACHED AGREEMENT ON OCT. 29 WITH THE GOP CHEMICAL CORPORATION (FCCCL) IN KARACHI ON THE TERMS OF THE 150-PAGE CONTRACT IMPLEMENTING THE GOP'S JULY 23 LETTER OF INTENT, CHEMTEXT UNCLASSIFIED

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LEARNED THAT PRODUCTION MINISTER RAFI RAZA IN ISLAMABAD

HAD REQUESTED THAT THE CONTRACT SIGNING BE SHELVED. APPARENTLY THE GERMAN/SWISS COMBINE OF LURGI/INVENTA HAD RECENTLY SUBMITTED A NEW BID OFFERING TO BUILD A PLANT FOR \$17 MILLION AGAINST CHEMTEX'S OFFER OF \$22 MILLION. THIS, COUPLED WITH RESERVATIONS EXPRESSED BY THE PLANNING DIVISION OF THE MINISTRY OF FINANCE ABOUT THE NEED FOR PAKISTAN TO BUY DUPONT'S SO MUCH MORE EXPENSIVE TECHNOLOGY LED TO THE PRESENT CRISIS. THE FCCCL EXECUTIVES IN KARACHI PRIVATELY TOLD CHEMTEXT THAT THE MATTER WAS OUT OF THEIR HANDS, THOUGH THEY CONTINUED TO PREFER AND WANT THE CHEMTEX/DUPONT PLANT.

3. FACED WITH THIS SITUATION, THE CHEMTEXT TEAM OF VICE PRESIDENT EDWARD EMERSON AND TECHNICAL SALES DIRECTOR FRANK TONNIES CAME TO ISLAMABAD A WEEK AGO TO SEE KEY GOP OFFICIALS AND SEEK EMBASSY HELP. FROM THEIR CALLS ON GOP OFFICIALS THE CHEMTEX PEOPLE DID NOT GET ANY SATISFACTORY ANSWER. THEREUPON THE E/C COUNSELOR TRIED TO SEE PRODUCTION SECRETARY AWAN ON NOV. 5 BUT WAS UNSUCCESSFUL, AND THE NEXT DAY THE AMBASSADOR IN TURN TRIED TO TALK WITH OR SEE MINISTER RAFI FAZA. HE ALSO WAS UNSUCCESSFUL OTHER THAN FOR A BRIEF AND INTERRUPTED CHANCE ENCOUNTER WITH THE MINISTER AT A SOVIET RECEPTION THAT NIGHT. THE NEXT DAY, NOV. 7, THE MINISTER FLEW TO KARACHI TO HOLD TALKS WITH THE FCCCL EXECUTIVES ABOUT THE CASE AND WAS TO HAVE RETURNED TO ISLAMABAD NOV. 10. DURING THAT PERIOD, THE E/C COUNSELOR WAS ABLE TO BEAR PRODUCTION SECRETARY AWAN AT A RECEPTION NOV. 9 BUT AWAN DID NOT SEEM WELL INFORMED AND ALLEGED THAT FCCCL HAD FULL DISCRETIONARY POWERS TO CHOOSE WHOM THEY WANTED, SOMETHING THEY THEMSELVES DENY.

4. ON NOV. 11, LEARNING FROM CHEMTEX'S KARACHI REPRESENTATIVE THAT CONTRACT NEGOTIATIONS BETWEEN THE GOP AND LURGI/INVENTA WERE FAST APPROACHING A CONCLUSION, THE AMBASSADOR SENT A STRONG THREE-PAGE LETTER TO MINISTER RAFI RAZA EXPRESSING CONCERN OVER THE TREATMENT ACCORDED CHEMTEX/DUPONT AND ITS LIKELY EFFECT ON US INVESTMENT AND TRADE ATTITUDES TOWARD PAKISTAN. THE AMBASSADOR PARALLELED THIS BY REQUESTING AGAIN AN APPOINTMENT TO SEE THE MINISTER AS SOON AS POSSIBLE.

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5. WE HOPE THESE LAST DITCH REPRESENTATIONS ON BEHALF OF CHEMTEX WILL BE EFFECTIVE. WILL KEEP DEPARTMENT INFORMED.
BYROADE

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NNN

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